

EXECUTIVE SUMMARY

ANNUAL BUDGET 2019/2020

1. PURPOSE:

In terms of section 24(1) of MFMA, The Municipal Council must at least 30 days before the start of the budget year consider approval of the annual budget.

2. BACKGROUND:

The budget is prepared to meet the Integrated Development Plan priorities as well as the strategic objectives of the Molemole Municipality. The Departments have been consulted to enhance the production of a credible balance budget. The limited funds available for the IDP priorities and strategic objectives, leads to the Departments having to prioritize in line with the agreed strategies as informed by the Strategic Planning that took place on 13 to 15 May 2019. The IDP, as informed by the agreed strategies, is available and enhances alignment with the budget. New municipal budget and reporting regulations (MBRR) were promulgated on 17 April 2009 as per Government Gazette no. 32141. As part of the new regulations a totally new format is also prescribed in which Municipalities must submit the budget for adoption and/or approval, As Molemole complied with the new format.

Attached are the following documentations:

- Tables and Supporting Tables as prescribed.

The annual budget makes provision for all the functions and responsibilities of the Molemole Municipality as provided for in the 2019/2020 financial year.

3. The following is a concise summary of the Annual Budget for the 2019/2020 financial year:

DESCRIPTION	AMOUNT
OPERATING GRANTS	R147,905,550.00
CAPITAL GRANTS	R33,393,450.00
TOTAL : TRANSFERS & SUBSIDIES	R181,299,000.00
OWN REVENUE	R79,690,823.74
TOTAL REVENUE	R260,989,824.00
OPERATING EXPENDITURE	R205,748,554.00
CAPITAL EXPENDITURE	R55,241,271.00

TOTAL BUDGET	R260,989,824.00
SUPLUS/DEFICIT	R 0

Total operating revenue amounts to **R227, 596,374.00** and is contained in Table A3 (Budgeted Financial Performance).

3.1 Property rates

An amount of **R15, 291,183.00** is expected to be collected from Government, businesses and residential properties.

3.2 Service charges

The two components of revenue from service charges are budgeted as follows:

- sale of electricity for an amount of **R9, 224,518 .00**
- Refuse removal for an amount of **R2,288,337.00**

3.3 Rent of facilities and equipment

Expected revenue to be collected for 2019/2020 amounts to **R283, 935.00** from rental of buildings.

3.4 Interest earned

This source of revenue refers to interest earned from external investment for the amount of **R2, 112,000.00**

And the **R1, 168,980.00** to be earned from outstanding debtors.

3.5 Transfers recognized - operational

Bulk from this source is from equitable share from National Government of **R142, 578,000.00** , an amount of **R2, 403,000.00** from Financial Management Grant(FMG) ,**R1,757,550 .00** from Municipal Infrastructure Grant(MIG) **R1,167,000.00** for EPWP from , which gives a total of **R147,905,550.00**

3.6 Agency Services

Provision for commission on water is R1, 696,600.00 while provision for commission for sanitation is R781, 880.000

3.7 Other own revenue

Other revenue amounts to **R45, 296,836.00** million and consists of the following Elements:

- **Operational Revenue of R37, 820,381 which bulk is from the following:**

- ✓ Sale of stands R15,000,000.00
- ✓ Surplus cash R18,426,329.00

✓ Savings from unclaimed retentions **R3,520,000.00**

- Sale of goods and rendering services of R 7,476,455.00 .00 which bulk is from:

✓ License and permits R7,065,504.00

3.8 Transfers recognized – capital

Capital grants and subsidies amounts to **R33, 393,450.00** million which is an allocation from Municipal Infrastructure Grant (MIG).

4. OPERATING EXPENDITURE

Operating expenditure amounts to **R205,748,554.00** million and is contained in Table A4 (Budgeted Financial Performance) and supported by information in Supporting Table SA1.

4.1 Employee related costs

The following were taken into consideration

Total Employee/Councilors related costs amounts to **R108, 113,282.00** million which represents **53%** of total operating expenditure. The main components associated with personnel costs are contained in Supporting Table SA1.

- **Senior Managers and Municipal staff**
Provision of R93, 985,998.00
- **Remuneration of Councilors**
Provision of R14, 127,294.00 is made for councilor allowances.

4.2 Debt impairment

Debt impairment relates to the provision for working capital for an amount of **R5, 837,102.00**

4.3 Depreciation

Provision for depreciation for the 2019/2020 financial year amounts to R8, 659,935.00 million and makes provision for current assets, assets to be purchased.

4.4 Bulk purchase of Electricity

A provision of R8, 268,000.00 was made.

4.5 Contracted Services

An amount of **R34, 915,971.00** was made for all contracted services which includes the following:

- Outsource services R15,136,343.00
- Consultant and Professional Services R9, 213,658.00.
- Contractors R10,565,970.00

4.6 Operational costs

Other general expenditure amounts to **R33, 290,584.00** million and represents 16% of Total operating expenditure for the 2019/2020 financial year. Detailed information On other general expenditure is provided in Supporting Table SA1. Bulk of this amount is from the following line items:

- Audit costs R3,000,000.00
- EPWP programs R1,167,000.00
- Commission for third party vending machine R1,176,923.00
- Renewal of licenses R1,497,385.00
- Public participation and Advertising R1,236,000.00
- Printing and Publications R1,132,800.00
- SALGA membership R1,060,100.00
- Accommodation and subsistence and travelling R4,858,465.00
- Indigent relief R4,355,623.00

5. Capital expenditure

Capital Expenditure for all departments amounts to **R 55,241,271.00** which is 21% of the total municipal budget of **R 260,989,824.00** and the breakdown is as follows:

PROJECT NAME	BUDGET	SOURCE OF FUNDING
Electricity Smart meters	R2,000,000.00	Own Funding
Procurement of trailer	R150,000.00	Own Funding
Traffic equipments	R100,000.00	Own Funding
Furniture	R250,000.00	Own Funding
ICT Disaster management plan	R1,100,000.00	Own Funding
Procurement of TLB	R900,000.00	Own Funding
Procurement of skip loader truck	R1,200,000.00	Own Funding
Procurement of grader	R3,000,000.00	Own Funding
Procurement of tipper truck	R1,000,000.00	Own Funding
Culvert bridges	R2,220,000.00	Own Funding
Mohodi sports complex	R3,000,000.00	Own Funding
Ramokgopa stadium	R800,000.00	Own Funding
Construction of Moletji Office	R2,127,821.00	Own Funding

PROJECT NAME	BUDGET	SOURCE OF FUNDING
Procurement of high masts	R3,000,000.00	Own Funding
Inventory module	R350,000.00	FMG
Nthabiseng road	R17,000,000.00	MIG
Capricorn road	R16,393,400.00	MIG

6. Budget related policies

The following budget related policies are submitted in terms of the provisions Contained in the MFMA and MBRR.

- 6.1 Asset management policy
- 6.2 Cash Management and investment policy
- 6.3 Credit control and debt collection policy
- 6.4 Supply chain management policy
- 6.5 Property rates policy
- 6.6 Budget policy
- 6.7 Virement policy
- 6.8 Petty cash policy
- 6.9 Tariff policy
- 6.10 Indigent policy
- 6.11 Policy on the writing off of irrecoverable debts
- 6.12 Credit Control and Debt Collection by- Laws
- 6.13 By-Laws regarding Tariffs
- 6.14 Property Rates By-Laws
- 6.15 Inventory (Logistics) Policy
- 6.16 Policy for Infrastructure Procurement.

7. Narration to the budget

Revenue projected tariffs

Circular number: 94 have been used for all the revenue predictions, as stated on the Municipal Finance Management Act No. 56 of 2003.

Molemole Municipality increased the electricity sales by 6%.

For property rates and other service charges 5.2% for 2019/2020, 5.4% for 2020/2021 and 5.4% for 2021/2022.

8. Budget assumptions

Provisional annual salaries and allowances increase of 7.0% was made for Councilors. Section 57 senior managers and 7% for other employees.